

**THE OFFICE OF REGULATORY STAFF
SURREBUTTAL TESTIMONY AND
EXHIBITS
OF
DAWN M. HIPPI**



DOCKET NO. 2006-107-WS

**Application of United Utility Companies, Inc.
for Adjustment of Rates and Charges and
Modification of Certain Terms and
Conditions for the Provision of Water and
Sewer Service**

SURREBUTTAL TESTIMONY OF DAWN M. HIPPI

FOR

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2006-107-WS

IN RE: UNITED UTILITY COMPANIES, INC.

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Dawn M. Hipp. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Program Specialist in the Water/Wastewater Department for the Office of Regulatory Staff ("ORS").

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY FOR
THIS PROCEEDING?**

A. The purpose of my testimony is to respond on behalf of ORS to portions of the rebuttal testimony of United Utility Companies, Inc. ("UUCI"). Specifically, I will focus on UUCI's compliance with 26 SC Code Reg. 103-514 and UUCI's calculation of uncollectible revenue.

**Q. DO YOU DISAGREE WITH UUCI'S ASSERTION IN ITS REBUTTAL
TESTIMONY THAT IT DID NOT NEED TO FILE WITH THE**

1 **COMMISSION DHEC CONSENT ORDER 04-180-W BECAUSE THE**
2 **ORDER DID NOT IMPACT ITS SERVICE TO THE CUSTOMER?**

3 A. Yes. 26 SC Code Reg 103-514(C) states "All wastewater utilities under the
4 jurisdiction of the Commission shall file with the Commission in writing a notice
5 of any violation of PSC or DHEC rules which affect the service provided to its
6 customers." Consent Order 04-180-W details a violation of the National Pollutant
7 Discharge Elimination System ("NPDES") permit SC00223736 citing UUCI's
8 failure to comply with permitted discharge limits on ammonia-nitrogen at the
9 Briarcreek I wastewater treatment facility ("WWTF") (Exhibit DMH-9).
10 NPDES permits issued by DHEC set discharge limits to protect human health and
11 the environment. In Mr. Haas's direct testimony on page 6, he answers the
12 question "What ongoing programs does the company have in place to help ensure
13 that **customers receive quality utility service?**" A portion of his reply includes
14 the statement "...it becomes more important for us to inform customers of the
15 measures we must take to ensure that their drinking water is safe and that **their**
16 **waterways are protected.**" Mr. Haas, himself, states that protection of the
17 waterways is a component of quality service provided to UUCI customers. ORS
18 believes that protection of human health and the environment are aspects of
19 service provided by water and wastewater utilities. In this instance, both DHEC
20 and UUCI concluded that a violation of the NPDES permit did occur at the
21 Briarcreek I WWTF. For the reason stated above, it is ORS's opinion that this
22 consent order should have been filed with the PSC according to 26 SC Code Reg.
23 103-514(C).

1 **Q. UPON REVIEW, DOES ORS PROPOSE TO ADJUST UUCI'S**
2 **UNCOLLECTIBLE PERCENTAGE?**

3 A. Yes. ORS proposes to increase UUCI's uncollectible percentage for combined
4 operations from 1.5% to 3.51%. The impact of this adjustment on revenue will
5 be addressed by Ms. Tina Seale in her Surrebuttal Testimony.

6 **Q. WHAT IS THE BASIS FOR YOUR ORIGINAL ADJUSTMENT OF**
7 **UNCOLLECTIBLES USING 1.5 PERCENT?**

8 A. High levels of uncollectible revenue impact paying customers by driving up
9 termination, notification and collection expenses. ORS uses the 1.5%
10 uncollectible rate as a guideline to ensure that water and/or wastewater utilities
11 are implementing proper billing and collections practices and properly recording
12 uncollectible revenue. If the books and records of a water and/or wastewater
13 utility reflect an uncollectible percentage exceeding 1.5% for the test year, ORS
14 reviews the utility's billing, collection and termination of service procedures to
15 ensure compliance with Commission regulations and implementation of good
16 business practices. This technique is also used by the Florida Public Service
17 Commission and the North Carolina Utilities Commission Public Staff.

18 **Q. WHY DOES ORS RECOMMEND AN INCREASE IN UUCI'S**
19 **UNCOLLECTIBLE PERCENTAGE?**

20 A. ORS reviewed the billing records of UUCI for test year ending September 30,
21 2005. After determining the uncollectible percentage for combined operations
22 exceeded 1.5%, ORS examined UUCI's billing, collection and termination of
23 service procedures. All procedures were found to be acceptable and in

1 compliance with Commission regulations. While UUCI's uncollectible
2 percentage for combined operations exceeds 1.5%, ORS does not believe the high
3 uncollectible rate is attributable to deficiencies in UUCI's billing and collection
4 practices. Therefore, ORS proposes to adjust combined operations uncollectible
5 revenues using a three-year average based on the Trial Balances provided by
6 UUCI in response to the ORS First Continuing Data Request 1.51.

7 **Q. WHY DOES ORS PROPOSE TO ADJUST UUCI'S UNCOLLECTIBLES**
8 **USING A THREE-YEAR AVERAGE?**

9 A. NARUC's Rate Case and Audit Manual recommends review of uncollectible
10 revenue over several years. According to UUCI's Trial Balance for 2003, 2004
11 and 2005, uncollectible revenue on combined operations has increase
12 significantly. Due to the yearly variance in uncollectible revenue, using a three-
13 year average for combined operations is reasonable. Attached is Exhibit DMH-10
14 which details UUCI water, sewer and total uncollectible revenues as recorded on
15 the Trial Balances for years ending September 30th of both 2003 and 2004. In
16 addition, ORS used normalized test year water, sewer and total uncollectible
17 revenues for 2005 to provide a three-year average. ORS calculated the three-year
18 average uncollectible percentage as 3.51%.

19 **Q. DOES THAT CONCLUDE YOUR SURREBUTAL TESTIMONY?**

20 A. Yes it does.

THE OFFICE OF REGULATORY STAFF

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**Application of United Utility Companies, Inc. for Adjustment of Rates and Charges and
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DAWN M. HIPP SURREBUTTAL TESTIMONY

EXHIBIT INDEX

<u>EXHIBIT NO.</u>	<u>EXHIBIT TYPE</u>	<u>PREPARED BY</u>
DMH-9	DHEC Consent Order 04-180-W	DHEC (provided by UUCI)
DMH-10	Adjustment to Uncollectibles	ORS

Exhibit DMH-9

UNITED UTILITY COMPANIES, INC.
DOCKET NO. 2006-107-W/S
DATA REQUEST NO. 1, RESPONSE TO ITEM (1.13)

BOARD:
Elizabeth M. Hagood
Chairman

Mark B. Kent
Vice Chairman

L. Michael Blackmon
Secretary



C. Ead Hunter, Commissioner

Promoting and protecting the health of the public and the environment.

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OCT 12 2004

EXHIBIT DMH-9
Page 2 of 8

Carl L. Brazell

Steven G. Kisner

Carolina Water Service, Inc. Coleman F. Buckhouse, MD

October 8, 2004

Certified Mail – 7001 2510 0008 8159 4142

Return Receipt Requested

Mr. Bruce Haas, Regional Director
United Utility Company, Inc.
PO Drawer 4509
West Columbia, SC 29171

Re: **Consent Order 04-180-W**
United Utilities, Inc.
Briarcreek Subdivision I WWTF
NPDES Permit SC0023736
Cherokee County

Dear Mr. Haas:

Enclosed, please find a copy of the fully executed Consent Order 04-180-W affecting the above referenced facility. **The Order is considered executed on October 6, 2004.**

Please be aware of the scheduled completion dates outlined on pages three and four (3&4) of the Order. If you have any questions, please call me at (803) 898-4247. I will be happy to assist you.

Sincerely,

Heather L. Beard
Water Enforcement Division
Bureau of Water

cc: Mark Cann, Appalachia III EQC District Office, SCDHEC, w/enclosure
Melanie Hall, SCDHEC, Water Enf. Div., w/enclosure
Michael Montebello, SCDHEC, Domestic WW Permitting, w/enclosure

THE STATE OF SOUTH CAROLINA
BEFORE THE DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

IN RE: UNITED UTILITY COMPANY, INC.
BRIARCREEK SUBDIVISION I WWTF
CHEROKEE COUNTY

CONSENT ORDER
04-180-W

United Utility Company, Inc. (Respondent) owns and is responsible for the proper operation and maintenance of a wastewater treatment facility (WWTF) serving the Briarcreek Subdivision located in Cherokee County, South Carolina.

The Respondent violated the Pollution Control Act, S.C. Code Ann. §§ 48-1-10 et seq. (1987 & Supp. 2003), and National Pollutant Discharge Elimination System (NPDES) Permit SC0023736 ~~in that it failed to comply with the permitted discharge limits for ammonia-nitrogen (NH₃-N), as~~ required by its NPDES Permit.

In accordance with approved procedures and based upon discussions with the Respondent's agents on July 13, 2004, the parties have agreed to the issuance of this Order to include the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. The Respondent owns and is responsible for the proper operation and maintenance of a WWTF serving the Briarcreek Subdivision located in Cherokee County, South Carolina.
2. South Carolina Department of Health and Environmental Control (Department) staff issued NPDES Permit SC0023736 to the Respondent authorizing the discharge of treated

wastewater into Spencers Branch to Gilkey Creek to Thicketty Creek to the Broad River in accordance with the effluent limitations, monitoring requirements and other conditions set forth therein.

3. The Respondent reported violations of the permitted discharge limits for $\text{NH}_3\text{-N}$ on discharge monitoring reports (DMRs) submitted to the Department for the September 2003 and February 2004 monitoring periods.
4. On October 31, 2003, Department staff issued a Notice of Violation to the Respondent for violations of the permitted discharge limits for $\text{NH}_3\text{-N}$ during September 2003. The Respondent's agent included comments on the September 2003 DMR, attributing the $\text{NH}_3\text{-N}$ violation to a blockage in the Return Activated Sludge (RAS) line.
5. The Respondent's agent included comments on the February 2004 DMR, attributing the $\text{NH}_3\text{-N}$ violation to possible laboratory error, as the on-site field $\text{NH}_3\text{-N}$ test kit did not detect ammonia, and there were no operational problems at the WWTF. The Respondent's agent collected eight (8) additional $\text{NH}_3\text{-N}$ samples during February 2004, all of which reflected $\text{NH}_3\text{-N}$ levels of less than one milligram per liter (1 mg/L).
6. Department staff held an enforcement conference with agents for the Respondent on July 13, 2004, to discuss the above-cited violations. During the conference, the Respondent's agents stated that the first $\text{NH}_3\text{-N}$ violation was caused by a blockage in the RAS line. Once the blockage was cleared, $\text{NH}_3\text{-N}$ levels returned to compliance. The second $\text{NH}_3\text{-N}$ violation was thought to be a lab error, but the contract lab did not have enough sample to re-analyze both total nitrogen and $\text{NH}_3\text{-N}$ to confirm the Respondent's suspicions. The Respondent's operator collected eight (8) additional samples during that month, and all additional samples

reflected NH₃-N levels less than one milligram per liter (1.0 mg/L). The Respondent's agent provided copies of the laboratory data verifying the results of the additional NH₃-N testing. The parties discussed the issuance of a Consent Order containing possible civil penalties.

CONCLUSIONS OF LAW

Based upon the above Findings of Fact, the Department reaches the following Conclusions of Law:

1. The Respondent violated the Pollution Control Act, S.C. Code Ann. § 48-1-110 (d) (Supp. 2003), and Water Pollution Control Permits, 24 S.C. Code Ann. Regs. 61-9.122.41(a) (Supp. 2003), in that it failed to comply with the permitted discharge limits for NH₃-N, as required by NPDES Permit SC0023736.
2. The Pollution Control Act, S.C. Code Ann. § 48-1-330 (1987), provides for a civil penalty not to exceed ten thousand dollars (\$10,000.00) per day of violation for any person violating ~~the Act or any rule, regulation, permit, permit condition, final determination, or Order of the~~ Department.

NOW, THEREFORE, IT IS ORDERED, CONSENTED TO AND AGREED, pursuant to the Pollution Control Act, S.C. Code Ann. § 48-1-50 (1987), and § 48-1-100 (Supp. 2003), that the Respondent shall:

1. Henceforth, operate and maintain the WWTF in accordance with the NPDES Permit and Department regulations and guidelines.
2. Within thirty (30) days of the execution date of this Order, submit to the Department a corrective action plan (CAP) addressing compliance with NH₃-N limits. The CAP shall include an implementation schedule which upon Department approval shall be incorporated

into and become an enforceable part of this Order.

3. Within thirty (30) days of the execution date of this Order, pay to the Department a civil penalty in the amount of three thousand dollars (\$3,000.00).

PURSUANT TO THIS ORDER, communications regarding this Order and its requirements, shall be addressed as follows:

Heather L. Beard
Water Enforcement Division
South Carolina Department of Health and Environmental Control
2600 Bull Street
Columbia, South Carolina 29201

The Respondent shall confirm, in writing, completion of Order requirements to the above address within ten (10) days of completion. The Order number should be included on all checks remitted as payment of the civil penalty.

IT IS FURTHER ORDERED AND AGREED that if any event occurs which causes or may cause a delay in meeting any of the above scheduled dates for completion of any specified activity, the Respondent shall notify the Department in writing at least one (1) week before the scheduled date, describing in detail the anticipated length of the delay, the precise cause or causes of delay, if ascertainable, the measures taken or to be taken to prevent or minimize the delay, and the timetable by which those measures will be implemented.

The Department shall provide written notice as soon as practicable that a specified extension of time has been granted or that no extension has been granted. An extension shall be granted for any scheduled activity delayed by an event of *force majeure*, which shall mean any event arising from causes beyond the control of the Respondent that causes a delay in or prevents the performance of any of the conditions under this Consent Order including, but not limited to: a) acts of God, fire,

war, insurrection, civil disturbance, explosion; b) adverse weather conditions that could not be reasonably anticipated causing unusual delay in transportation and/or field work activities; c) restraint by court order or order of public authority; d) inability to obtain, after exercise of reasonable diligence and timely submittal of all applicable applications, any necessary authorizations, approvals, permits, or licenses due to action or inaction of any governmental agency or authority; and e) delays caused by compliance with applicable statutes or regulations governing contracting, procurement or acquisition procedures, despite the exercise of reasonable diligence by the Respondent.

Events which are not *force majeure* include by example, but are not limited to, unanticipated or increased costs of performance, changed economic circumstances, normal precipitation events, or any person's failure to exercise due diligence in obtaining governmental permits or fulfilling contractual duties. Such determination will be made in the sole discretion of the Department. Any extension shall be incorporated by reference as an enforceable part of this Consent Order and thereafter be referred to as an attachment to the Consent Order.

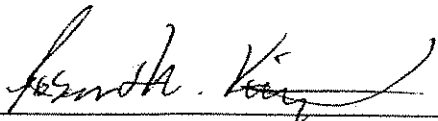
IT IS FURTHER ORDERED AND AGREED that this Order constitutes the entire agreement between the parties with respect to the resolution and settlement of matters set forth herein. The parties are not relying upon any representations, promises, understandings or agreements except as expressly set forth within this Order.

United Utility Company, Inc. understands that this Consent Order governs only the liability for civil sanctions arising from the matters set forth herein and does not affect or purport to affect any criminal liability or liability to any entity not a party to this Order.

IT IS FURTHER ORDERED AND AGREED that failure to comply with any provision of this


Order shall be grounds for further enforcement action pursuant to the Pollution Control Act, S.C.
Code Ann. § 48-1-330 (1987), to include the assessment of additional civil penalties.

FOR THE SOUTH CAROLINA DEPARTMENT
OF HEALTH AND ENVIRONMENTAL CONTROL



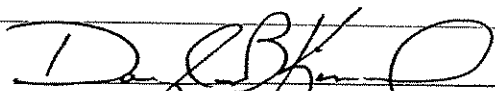
Robert W. King, Jr., P.E.
Deputy Commissioner
Environmental Quality Control

Date: 10/16/04



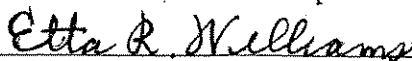
Alton C. Boozer
Bureau Chief
Bureau of Water

Date: 09/24/04



Douglas B. Kinard, P.E., Director
Water Enforcement Division
Bureau of Water

Date: 9/24/04

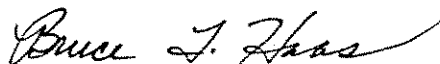


DHEC Legal Counsel

Date: 9/30/04

WE CONSENT:

United Utility Company, Inc.



Date: 9/22/04

Exhibit DMH-10

2006-107-WS

Adjustment to Uncollectibles

Based on 3-Year Average of Combined Operations

Uncollectible Analysis: Three-Year Trial Balance History provided by UUCI*

Trial Balance Category	9/30/2003	9/30/2004	9/30/2005
Water Revenue	\$47,906.88	\$49,515.84	\$43,424.00
Sewer Revenue	\$765,908.15	\$764,208.59	\$728,520.00
Total Uncollectibles for Combined Operations	\$13,257.12	\$28,065.10	\$42,006.00
Total Uncollectible % for Combined Operations	1.63%	3.45%	5.44%

Normalized to remove Keowee and Gem Lakes
Normalized to remove Keowee and Gem Lakes

**Combined Operations Uncollectible Percentage based on a
Three-Year Average**

3.51%

* Note: Separate uncollectible percentages for water and sewer operations cannot be discerned from Detailed Trial Balance provided by UUCI in response to ORS First Continuing Data Request Question 1.51. ORS recommends using a 3-yr combined operations average.